# Can Andropov control his generals?

**The Soviet Union does not have a military-industrial complex; it is one. If Mr Yuri Andropov is to get the Soviet economy moving again, he needs to break the generals' control over the country's resources.**

The Soviet Union is a military giant but an economic weakling. Its leader, Mr Yuri Andropov, was hoisted to power nine months ago in the expectation that he could put new muscle into the ailing economy. The Soviet Union is a superpower because of its military strength. This needs a strong economic base. But the base is crumbling under the increasing weight of the military burden it has to carry.

Defence spending is still rising by a real 4-5% each year, outstripping gnp growth, which has slumped from an annual rate of about 4% in the 1970s to barely 2% today. Nobody knows for certain what the total defence budget is, but its share of the national cake is rising. The Russians say defence accounts for only 3% of gnp, which is obviously untrue. The American CIA reckons the figure is over 16% of gnp, which is probably closer to the mark.

In his latter years, Brezhnev paid the military bill by cutting back on industrial investment. The slump in the growth of investment from over 7% a year in the mid-1970s to an average of barely 2% in the past two years has had a dampening effect on an already declining growth rate. Because of the time lag between new investment and a visible return, this starvation diet will hit harder as the 1980s wear on. Under Mr Andropov's new management, investment is planned to grow by 4% this year and by more in 1984. But to achieve this Mr Andropov will have to cut resources from elsewhere: either out of consumer spending or, less likely, out of defence.

The defence effort has not merely drained cash from the civilian economy. It has also distorted economic development. For example, in the past 40 years, productivity in the food industry and light industry has increased only about four times; but in the machine-building, metallurgy and chemical industries, all of which devote a large chunk of their output to defence, productivity has risen over 15 times. The Soviet Union has been remarkably efficient at producing guns and—partly as a consequence—pathetically inefficient at producing butter.

## How they got there

Twenty years ago the Soviet Union's strategic missile forces barely existed; today they are a match, and maybe more, for the best a far richer United States can produce. Improvements in naval, air and land forces have been no less spectacular. The Soviet Union now boasts the world's largest submarine force. According to American government figures, Soviet tank production in recent years has outnumbered Nato's by three to one, its production of fighter-bombers by three to two, and its production of surface-to-air missiles by about seven to one. This build-up has been achieved by the following policies:

**Absolute priority to defence.** The Soviet system of central planning is tailor-made to suit generals. Raw materials or parts in short supply can be redirected to priority tasks, and military industry always has top priority. All branches of the economy are obliged to satisfy military demands first; civilian factories have to make do with what is left. If supplies run out, factories working on military contracts can simply take what they need from civilian factories. Party officials have instructions to make sure that they get it.

**Special favours for key workers.** Defence industrialists have been known to stay in the same job for 20 years or more. Weapon design teams under such famous names as Korolev, Yangel, Ilyushin and Antonov span more than one generation. There is no shortage of funds or research facilities and research teams can call on the assistance of a battery of research institutes attached to the Soviet academy of sciences.

**Brain drain.** The best manufacturing brains and skills go into defence. Talented managers head for missile plants rather than factories making refrigerators. And the best workers follow the best managers. An engineer can earn between 20% and 50% more in a military enterprise than in a civilian one. There are other benefits too: easier access to education for children, better housing and better-stocked factory shops.

**Consumer control.** Unlike the ordinary Soviet consumer, who has to put up with

If the soldiers want Andropov to get things moving, they've got to move too

whatever second-rate goods are available, the generals order what they want. They give precise instructions to the design teams and manufacturers, and they send their own military inspectors to make sure their high standards are met. Faulty equipment is discarded. Cost is a secondary consideration.

**Generals as politicians.** In the United States, defence manufacturers and their lobbyists press the government to buy their arms. But they are still an outside influence. In the Soviet Union the defence lobby is lodged firmly inside the political system. At the top, the defence council, chaired by Mr Andropov, brings together the most senior party and military men to make important decisions. Farther down in the hierarchy, defence allocations are handled by an independent department of the state planning agency, Gosplan, which always puts military interests first. A military-industrial commission acts as troubleshooter to make sure the generals get what they need. Nine ministries form the core of the military-industrial complex: from the ministry of general machine-building, which is in charge of the production of Soviet nuclear weapons, to the more aptly-named ministries of shipbuilding and aviation.

**Defence information monopoly.** The generals control all information on defence issues. There are no civilian think-tanks in the Soviet Union, such as Rand or the Brookings Institution in the United States, to carry out independent research into defence policy. Even civil servants are kept in the dark. This jealous guarding of military secrets has its ludicrous side. In the Salt-1 missile talks, General (now Marshal) Nikolai Ogarkov took an American delegate aside and asked the Americans not to discuss the details of Soviet weapons in front of the Soviet civilian negotiators, who were not meant to know about them.

## Civilian chaos

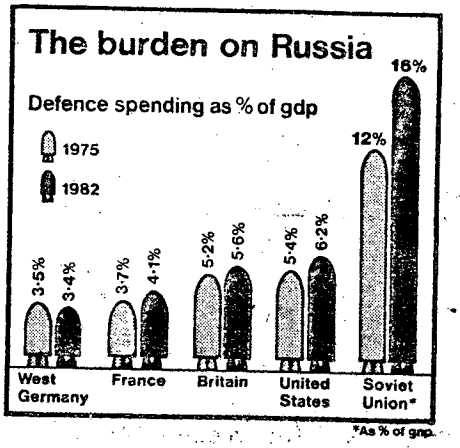
The planning that guarantees the smooth running of the Soviet Union's military economy creates periodic chaos for civilian industry. Competing with the defence industries, for example, is a mug's game. A manager of a civilian refrigerator factory, offered the choice between an up-to-date insulating material used in military production and an old-fashioned sort, is likely to choose the old-fashioned one simply because his stocks are less likely to be raided by the army.

The much vaunted scientific-technical revolution, which was to have helped remake Soviet industry in the 1970s, has turned instead into a narrow military-technical revolution. In the west new ideas developed for military and space programmes—in computing, electronics and materials science—have given extra zip to civilian industry. In the Soviet Union the spin-off has led to industrial innovation in a few cases but more often to decline in the civilian sector and consumer frustration.

Recognising at least part of the problem, Brezhnev several times called on the defence sector to devote more effort to the production of consumer goods. In 1971, he claimed that 42% of defence production already fed back into the civilian economy. He gave no details but defence factories do produce goods ranging from aluminium foil and outboard motors to baby carriages, children's toys and vacuum cleaners.

The Russians do not go short of real tanks and guns to produce toy ones.

Their guns are better than their fridges




Military enterprises make consumer goods just to use up spare capacity. All the same, the wise Soviet shopper looks for factory codes to identify goods made in military factories. The quality control may not be as high as that for rifles, tanks or aircraft, but it is often better than in civilian factories.

## Andropov's choices

Before he died last November, Brezhnev had called his top officers to the Kremlin for a pep talk. He told them that the Soviet Union's economic resources were not unlimited and that the armed forces would have to make maximum use of the resources already at their disposal. That came close to saying that not all the army's demands could be met.

Senior military men were part of the coalition for change that put Mr Andropov in power, and he has been careful not to trample on their interests. But that has not stopped him echoing Brezhnev's warning. There are some economic facts that neither Mr Andropov nor his military backers can ignore: as the cut-back in investment has shown, the choice is not one of just guns versus butter, but of guns versus the sort of investment in defence industry as well as the civil sector that can support the pace of Soviet weapon development.

Mr Andropov has three choices. He can slow down the growth in defence spending and devote the extra resources to the rest of the economy. Or he can reform the system of planning which allows the generals to choke off industrial growth. Or he can keep tinkering with the existing economic mechanism, trying to squeeze out greater efficiency and higher output, and leave the defence sector unscathed.

Mr Andropov would face several difficulties if he tried to slow down defence spending. First, he would have to overcome opposition from the generals. This would be especially tricky if he had made no progress in the arms-control negotiations with the Americans.

Second, the benefits of defence cuts would take a long time to materialise. According to American figures*, even if defence spending were frozen until the end of the decade—itself a far-fetched proposition—the annual rate of growth of Soviet gnp would probably increase by no more than 0.2% a year. The growth in per capita consumption could be greater, up to 0.5% a year. But this might not make the Soviet consumer's lot markedly better, especially if most of the money not spent on defence was diverted first to investment.

Part of the problem is that resources cannot easily be transferred from the defence to the civilian sector. Factory retooling costs money. On present performance Soviet civilian industry would find it hard to absorb extra capacity, and what it did absorb would be plagued by the same bottlenecks, caused by the army-first policy, that have worn down the rest of civilian industry.

## Biting the bullet

Without radical reform of the civilian economy, any injection of new resources taken from defence would be largely wasted. So is Mr Andropov making a stab at serious reform? Probably not.

He has tried to boost farm output by paying farm workers by results; he has booted out the most incompetent of his ministers; and he has started a series of "experiments" to increase industrial efficiency. The latest, due to begin on January 1st in two Moscow-based ministries and selected industries in Byelorussia, Latvia and the Ukraine, will give managers more freedom to take their own production decisions.

When measured against 50 years of tight central planning, none of this is adventurous enough to make much of an impact on the performance of the economy. The signs so far are that Mr Andropov is going for the third option: muddling. He seems to be hoping to avoid hard decisions, and to duck a clash with the generals.

But, without radical change, the Soviet economy will enter the 1990s with the same problems that dog it today. The army's top brass had supported Mr Andropov as the party leader most likely to break the immobilising spell of Brezhnev's last years and to get the country working again. If they cannot get what they want out of the limited changes he has introduced so far, they may have to bite the bullet and put their weight behind real economic reform. In the end, it could be the only way to maintain the Soviet Union's military might.

*Soviet Economy in the 1980s: Problems and Prospects, Part I. Published for the joint economic committee of congress, 1983.

**Craxi told the president he could do it**

## Italy

# Veni, vidi . . .

FROM A CORRESPONDENT IN ROME

Luck favours the persistent. Italy's Socialist leader, Mr Bettino Craxi, this week succeeded in his fourth attempt in as many years to become prime minister. On August 4th he told President Pertini that he had the necessary support to form a five-party coalition made up of Socialists, Christian Democrats and three smaller parties—Republicans, Social Democrats and Liberals. Mr Craxi will be the first Socialist and only the second non-Christian Democrat to be prime minister since 1945.

Mr Craxi has benefited from the defensiveness of the Christian Democrats, whose support fell by 5% to 33% in the June election. The party feared that if it had rejected Mr Craxi the Socialists might have gone into opposition and, eventually, joined an alliance with the Communists. Mr Ciriaco de Mita, the Christian Democratic leader, is comforting himself with the thought that the prime minister's chair could prove uncomfortable for Mr Craxi. The installation of 112 cruise missiles in Sicily, due to begin at the end of this year, and the containment of runaway public spending are issues which will severely test any government.

The smaller parties, although uneasy about Mr Craxi's domineering manner, have an interest in seeing him succeed. A defeat for the Christian Democrats is, in some measure, a victory for them. The idea of having a prime minister from outside the Christian Democratic ranks, established by the Republicans' Mr Giovanni Spadolini in 1981, will in future seem less unusual. The Craxi ministry reflects the strengthening of the middle ground: the Socialists and their three small partners increased their share of the vote from 17.4% to 23.5% between 1976 and 1983.

The price Mr Craxi has had to pay for Christian Democratic and Republican support is an agreement to introduce the policies of economic restraint they favour. The Socialists now seem to accept the logic of that. Party officials say that Mr Craxi is considering cuts in public spending, particularly pensions and health benefits. He is also said to favour a curb on tax exemptions and evasion, more restrictions on the *scala mobile* (wage indexation) and strict price controls as methods of containing a 16% inflation rate and a public-sector borrowing requirement that is heading for 100 trillion lire (£42½ billion) this year, some 18% of gdp. The new government will aim to reduce inflation to 7% by the end of 1984. A two-year programme to create jobs for 200,000 young people may, however, be included as a concession to Socialist and Social Democratic concern over unemployment.

The Christian Democrats had also wanted a commitment from Mr Craxi that he would gradually ease his party out of its alliances with the Communists in many of Italy's major cities. Mr de Mita wanted an insurance against a possible future Socialist alliance with the Communists at the national level, should the proposed coalition of the centre-left fail

to prove any more stable than its predecessors were during the previous parliament. Mr Craxi regarded this demand as unreasonable, although he seems to have given some vague promise that he would avoid joining new coalitions with the Communists in the cities.

Assuming that Mr Craxi wins a parliamentary vote of confidence next week, he will soon be gazing down from the terrace of his top-floor suite in the Hotel Raphael on modern and imperial Rome, having conquered the political capital which spurned him so often in the past.

## Immigrants

# Enoch Chirac

FROM OUR PARIS CORRESPONDENT

Long, hot summers are traditional enemies of good race relations. France is no exception. The past month has seen a series of shooting attacks on immigrants and a tear-gas assault on a block of flats occupied mainly by Turks in the normally peaceful Auvergne town of Bourganeuf. The incident which caused most anger was the shooting, on July 9th, of a 10-year-old Algerian boy, Toufik Ouannès, as he let off fireworks to celebrate the end of Ramadan in a Paris suburb.

The fact that the victims were from Africa and the Caribbean has revived a debate about how France can best cope with its 4.3m immigrants who do not qualify for French nationality—particularly the 1.4m Arabs and the 106,000 from black Africa. The less visible though larger immigrant populations from Portugal, Italy and Spain are rarely mentioned, and understandably keep their heads down.

Extreme right-wingers, who did unexpectedly well in municipal elections in March, say that if France booted out its 2m immigrant workers unemployment would disappear, ignoring the unwillingness of most Frenchmen to take the dirty, poorly-paid jobs immigrants perform. At the other extreme, some of the more emotional mourners at Toufik Ouannès's funeral vowed to turn the housing estate where he died into an immigrant fortress which no policeman would dare enter.

The Socialist government is well aware of the potential explosiveness of the immigrant issue, and is somewhat embarrassed by it. Left-wingers would like to see France as an open-hearted country ready to receive the poor and downtrodden. The realities of office have forced them to introduce measures to cut immigration to a trickle and to crack down on illegal immigrants who failed to register during a grace period last year.

The trouble is that nobody is convinced the government's measures are working. Second thoughts about some of the more arbitrary regulations, together with diplomatic pressure from former colonies in north Africa, have created loopholes. A move to have expulsions dealt with by the courts, rather than by police or officials, is causing a big backlog of cases.

Illegal immigrants still trek over the mountains into France: 1,186 were caught crossing the eastern Pyrenees last year. Since West Germany decided to reduce its immigrant worker population (see next article), clandestine human traffic into France from the east has increased. One favoured route lies through a cemetery in Saarbrücken which is conveniently close to the frontier. Other people from former British colonies, who claim right of entry under EEC freedom-of-movement rules, have come to France from Britain. Indeed, worry about black immigration from Britain may explain why coachloads of West Indian day-trippers were not allowed to enter Calais or Boulogne last weekend: a decision which provoked an official protest from the British foreign office.

The French government is promising fresh measures against illegal immigrants, now estimated at 300,000. But the real running on the issue is being made by Mr Jacques Chirac, mayor of Paris and leader of the opposition *Rassemblement pour la République* (RPR). While stressing how much he abhors racism, Mr Chirac reckons that "the tolerance level has been passed" in some areas of the capital where more than half the primary schoolchildren are foreigners.

Mr Chirac plans to make life tougher for illegal immigrants by imposing more stringent tests of the documents they have to produce to show that they are in France legally. He also wants to ensure that social services and health care in

# The fires in the south

FROM OUR MIDI CORRESPONDENT

The chunky yellow aircraft scud over lagoons and calm patches of sea, scooping up water. Then they swing inland, skimming over flaming ridges or probing into smoke-filled valleys. They release their cargo, return for more water, and come back to the hills—hour after hour.

The headquarters of the busiest of these aerial fire-brigades is near Marseilles. It controls 22 firefighting aircraft, four reconnaissance aircraft and nine helicopters, and can call out 1,000 specially trained troops. Since mid-July the force has been in action in Corsica, where fires have devoured more than 40,000 hectares of woodland and scrub, in French and Spanish Catalonia where over 20,000 hectares of pine and cork oak were lost, and on the Côte d'Azur. In the same period an inferno 130 kilometres wide charred Sardinia, and major fires broke out in Calabria and Jugoslavia.

Most fires are attributed to the carelessness of smokers, picnickers and others, but deliberate fireraisers are surprisingly numerous. They include speculators wishing to acquire land cheaply, shepherds who want more pasture, children eager to see firemen at work, people with a grievance, and terrorists. In Corsica last week 14 fires were started deliberately in one day. Few fires are ignited by natural phenomena such as lightning. Their spread is helped by the neglect of woodland resulting from the rural exodus: too many woods are choked by undergrowth that flares up at the drop of a spark.

The French are the most efficient firefighters in the Mediterranean region and they pay more attention than their neighbours to preventive measures. Some local authorities in France are financing the clearing of undergrowth and even encouraging shepherds to graze their flocks in woodland from which they were once barred because they damaged saplings. A French firm has designed a six-wheeled tractor which rips up undergrowth and crushes it into bales of saleable fuel.

In Spain, firefighting has improved since the late 1970s, when an industrial city of 100,000 inhabitants had only four fire-engines. But a recent fire near Girona, which left a vast regional park a desert of ash and black treetrunks, revealed inadequate equipment and poor co-ordination between the central government, which controls Spain's 12 firefighting aircraft, and the Catalan authorities, which operate other fire services. Inadequate equipment hampered efficiency in Sardinia, too, and the Italian government asked its EEC partners to help. Efficient firefighting is, of course, expensive. One hour's flight by a DC-6 costs the taxpayers $34,000.

Since 1970 some 1.3m hectares have been destroyed by fire in Spain, representing a loss of over $100m. Spanish Catalonia has lost a tenth of its woodland in eight years. And in France some 100,000 hectares have been ravaged in the past three years. In Spain and some other Mediterranean countries more trees are burnt each year than are planted. Yet attempts to reafforest devastated areas with trees which are less flammable than the fragrant Mediterranean pine are sometimes resisted. In Spain a new plantation of deciduous trees was cut down one night by self-styled ecologists. They said they were preventing "ecological imbalance".